



STATE BOARD OF EQUALIZATION

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April 1, 2015

The Honorable William P. Brough
Member, California State Assembly
State Capitol, Room 2174
Sacramento, CA 95814

Subject: **BOE SUPPORT for AB 405, as introduced February 19, 2015**

Dear Assembly Member Brough:

The Board of Equalization (BOE) is supporting your Assembly Bill 405, which eliminates the significant interest rate disparity between overpayments and late payments in the BOE's tax and fee programs. Currently, the late payment interest rate assessed against tax and fee payers is 6% annually. The overpayment interest rate allowed on refunds to BOE tax and fee payers is 0% annually.

Rates have been historically equal. Interest rates were the same for overpayments and late payments from 1937-1991. The 1991 legislation to lower the overpayment interest rate was designed to minimize the interest revenue losses associated with significant tax refunds resulting from an unfavorable court decision in 1990. Since the refunds were paid years ago, the interest rate disparity is no longer justified and is inequitable.

The IRS and FTB provide interest rate equality for Personal Income Taxpayers. The IRS and the FTB have the same interest rates for non-corporate overpayments and underpayments. For corporate overpayments, the IRS and the FTB have relatively small interest rate disparities of 1% and 3%, respectively.

If you have any questions or need additional information regarding this bill, please contact the Chief of our Legislative and Research Division, Michele Pielsticker, at (916) 322-2376.

Sincerely,


Cynthia Bridges
Executive Director

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